Eversholt Rail Leasing Limited (formerly trading as European Rail Finance (GB) Limited)

Annual report and financial statements
for the year ended 31 December 2017

Registered No: 02720809

Annual report and financial statements
for the year ended 31 December 2017

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Directors' report (continued)
for the year ended 31 December 2017

Business review

Eversholt Rail Leasing Limited (formerly trading as European Rail Finance (GB) Limited) (the "Company") generates income from the leasing of rolling stock and other assets to train and freight operating companies in the UK. The Company forms part of the Eversholt UK Rails Group ("Group") more fully described in note 25.

In the year the Company generated a profit of £64,212,000 (2016: £54,041,000). As at 31 December 2017 the Company had net assets of £79,588,000 (2016: £109,534,000). During the year the Company incurred capital expenditure of £248,556,000 in relation to its programme of new build rolling stock and investments in upgrades to existing fleets.

During the year the Group underwent a reorganisation which included the acquisition by the Company on 31 May 2017 of Eversholt Depot Finance Limited (formerly trading as Eversholt Depot Finance (UK) Limited), Eversholt Rail (365) Limited and Eversholt Rail Limited (formerly trading as Eversholt Rail (UK) Limited) for consideration of £114,974,151 from Eversholt Rail Holdings (UK) Limited. The sole purpose of the reorganisation was to simplify the corporate structure of the Group.

Eversholt Rail Limited, a subsidiary company, provides asset management and administrative services to the Company, charging an annual management fee.

The business continues to be funded principally by loans from a group undertaking.

The Company has no employees.

Risk management

The Company has established financial risk management objectives and policies. These objectives, together with an analysis of the exposure to such risks, are set out in note 22 of the financial statements.

The principal business risk for the Company is in respect of the residual value of its operating lease assets. The Company seeks to maximise the reletting potential, and therefore the residual value, of its assets by active management of the technical and commercial utility of these assets. An assessment is carried out by management at least annually of the commercial value of all operating lease assets, measured as the present value of the net anticipated cashflows arising from ownership over the life of the assets. This assessment provides a basis for measuring the success of the Company in managing its assets, as well as for determining if that value is below the current book value and therefore an impairment provision might be needed.

The Company has developed a specialist in-house inspection team who consider whole-life vehicle management; all vehicles are subject to a periodic inspection regime that delivers targeted inspections based on risk analysis. The asset engineering team regularly visit operating depots and freight yards for the purpose of vehicle inspection and technical investigation. The Company has an excellent knowledge of the current condition of its fleets.

The fleet performance is constantly monitored for emerging trends that might indicate that a particular fleet has developed a problem. In addition, the Company works proactively with train operators to identify opportunities to improve the performance of its fleets. The Company maintains constant dialogue with the train operators on fleet performance so that any emerging issues can be dealt with quickly.

Performance

The Company's results for the year are as detailed in the Income statement on page 10.

The Group manages its operations on a consolidated basis, therefore the Company's directors believe that further specific performance measures for the Company are not necessary or appropriate for an understanding of its performance. Performance measures for the Group are disclosed in the accounts of Eversholt UK Rails Limited.

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom
29 March 2018

The Directors present their Annual report together with the audited financial statements for the year ended 31 December 2017.

Directors

The Directors who served during the year and up to the date of signing were as follows:

W Barnes	(resigned on 6 February 2018)
L S Chan	(resigned on 6 February 2018)
A J Course	
A Haines	(resigned on 6 February 2018)
A J Hunter	(resigned on 6 February 2018)
H L Kam	(resigned on 6 February 2018)
M B Kenny	
K L Ludeman	(resigned on 6 February 2018)
D Macrae	(resigned on 6 February 2018)
A J Wesson	

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interest in the share capital of the Company.

Future developments

In 2018, the Company expects to start accepting new rolling stock fleets, ordered in 2015 and 2016, from manufacturers. All the new vehicles are expected to have been accepted, and to have entered into operational service, by 2020.

No other significant developments are currently anticipated, but the Directors keep opportunities under regular review.

Dividends

On 12 December 2017 the Directors declared a dividend of £100,000,000 (2016: £36,000,000). Dividend payments are reflected in the financial statements in the year in which they are declared.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom
29 March 2018

Statement of Directors' responsibilities
for the year ended 31 December 2017

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company's annual financial statements were approved by the Board of Directors on 29 March 2018 and signed on their behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Independent Auditor's Report to the Members of Eversholt Rail Leasing Limited
for the year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Eversholt Rail Leasing Limited (the 'Company') which comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of cash flows;
- the Statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Eversholt Rail Leasing Limited (continued)

for the year ended 31 December 2017

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Independent Auditor's Report to the Members of Eversholt Rail Leasing Limited (continued)

for the year ended 31 December 2017

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Makhan Chahal

Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London

29th March 2018

Income statement
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue			
Operating lease income	4	373,582	363,553
Other income		-	117
Service charge income		-	110
Dividend income	10	20,000	-
Total revenue		393,582	363,780
Cost of sales	5	(210,790)	(192,791)
Gross profit		182,792	170,989
Finance expense	6	(92,837)	(92,104)
Net fair value (loss)/gain on derivative financial instruments		(20)	77
Administrative expense	7	(18,472)	(19,120)
Profit before tax		71,463	59,842
Income tax charge	9	(7,251)	(5,801)
Profit for the year		64,212	54,041

There were no discontinued or discontinuing operations during the year.

The notes on pages 14 to 30 form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the year		64,212	54,041
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	15	7,512	26,024
Realised gain on cash flow hedges to Property, plant and equipment	15	(473)	(1,319)
Tax charge on changes in effective portion of changes in fair value of cash flow hedges	15, 19	(1,197)	(4,192)
		5,842	20,513
Total comprehensive income for the year		70,054	74,554

Effective portion of changes in fair value cash flow hedges may be reclassified to the Income statement upon termination of cash flow hedges.

Statement of financial position
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	*11*	**2,307,489**	2,189,198
Investments in subsidiaries	*14*	**149,322**	34,348
Derivative financial instruments	*15*	**27,908**	20,416
		2,484,719	2,243,962
Current assets			
Trade and other receivables	*13*	**10,996**	1,660
Current tax		**17,828**	14,081
Cash and cash equivalents	*12*	**4,995**	-
		33,819	15,741
Total assets		**2,518,538**	2,259,703
Liabilities and equity			
Current liabilities			
Trade and other payables	*16*	**32,438**	36,933
Deferred revenue	*17*	**3,142**	3,290
Borrowings	*18*	**54,588**	52,243
		90,168	92,466
Non-current liabilities			
Deferred revenue	*17*	**122,361**	111,800
Borrowings	*18*	**2,151,594**	1,883,271
Deferred tax	*19*	**74,827**	62,632
		2,348,782	2,057,703
Total liabilities		**2,438,950**	2,150,169
Equity			
Share capital	*20*	**50,000**	50,000
Hedging reserve	*15*	**26,355**	20,513
Retained earnings		**3,233**	39,021
Total equity		**79,588**	109,534
Total equity and liabilities		**2,518,538**	2,259,703

The notes on pages 14 to 30 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018. They were signed on its behalf by:

A J Wesson
Director

Company registration number 02720809

Statement of cash flows
for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Profit before tax		**71,463**	59,842
Adjustments for:			
- Depreciation charge	*5*	**130,265**	120,821
- Dividend income	*10*	**(20,000)**	-
- Finance expense	*6*	**92,837**	92,104
- Loss/(gain) on fair value of derivative financial instruments	*15*	**20**	(77)
Operating cash flow before changes in working capital		**274,585**	272,690
Decrease in obligations under finance lease		**-**	(1,572,460)
(Increase)/decrease in trade and other receivables		**(9,336)**	6,148
Increase in deferred revenue		**10,413**	12,466
(Decrease)/increase in trade and other payables		**(4,495)**	20,807
Cash flow generated by/(utilised in) operating activities		**271,167**	(1,260,349)
Taxation paid		**-**	(1,061)
Net cash generated by/(utilised in) operating activities		**271,167**	(1,261,410)
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(249,029)**	(273,468)
Acquisition of subsidiaries		**(114,974)**	-
Net cash utilised in investing activities		**(364,003)**	(273,468)
Cash flow from financing activities			
Loan (repaid)/raised from Eversholt Rail Limited		**(52,243)**	1,545,661
Cash received on termination of derivatives		**-**	5,685
Finance expense paid		**(92,837)**	(92,104)
Movement in working capital loan with Eversholt Rail Limited		**322,825**	111,540
Dividends received		**20,000**	-
Dividends paid		**(100,000)**	(36,000)
Other interest		**86**	96
Net cash generated by financing activities		**97,831**	1,534,878
Net movement in cash and cash equivalents		**4,995**	-
Cash and cash equivalents at beginning of the year		**-**	-
Cash and cash equivalents at end of the year	*12*	**4,995**	-

Statement of changes in equity
for the year ended 31 December 2017

	Note	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	*20*	**50,000**	**-**	**20,980**	**70,980**
Profit for the year		-	-	54,041	54,041
Effective portion of changes in fair value of cash flow hedges	*15*	-	26,024	-	26,024
Realised gain on cash flow hedges	*15*	-	(1,319)	-	(1,319)
Income tax on other comprehensive income	*19*	-	(4,192)	-	(4,192)
Total comprehensive income		-	**20,513**	**54,041**	**74,554**
Dividend paid	*10*	-	-	(36,000)	(36,000)
Balance at 31 December 2016		**50,000**	**20,513**	**39,021**	**109,534**
Profit for the year		-	-	64,212	64,212
Effective portion of changes in fair value of cash flow hedges	*15*	-	7,512	-	7,512
Realised gain on cash flow hedges	*15*	-	(473)	-	(473)
Income tax on other comprehensive income	*19*	-	(1,197)	-	(1,197)
Total comprehensive income		-	**5,842**	**64,212**	**70,054**
Dividend paid	*10*	-	-	(100,000)	(100,000)
Balance at 31 December 2017		**50,000**	**26,355**	**3,233**	**79,588**

Dividends per share paid during the year is £2.00 (2016: £0.72) per share.

Notes to the annual financial statements
for the year ended 31 December 2017

1 General Information

Eversholt Rail Leasing Limited, (the "Company") is a private company incorporated and domiciled in England and Wales under the Companies Act and is limited by shares (see note 20). The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

2 Basis of Preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company is exempt from the requirement to prepare consolidated financial statements by virtue of Section 401 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Rail Leasing Limited have been prepared on the historical cost basis except for the revaluation of derivative financial instruments. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2017, there were no unendorsed standards effective for the year ended 31 December 2017 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of the Company for the year ended 31 December 2017 are prepared in accordance with IFRSs as issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

2.2 Standards and Interpretations issued by the IASB and endorsed by the EU

During the year, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements. At 31 December 2017, a number of standards and amendments to standards have been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2017. The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption does not have a material effect on the financial statements unless otherwise indicated.

- IFRS 9 Financial Instruments (mandatory for periods beginning on or after 1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (mandatory for periods beginning on or after 1 January 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (mandatory for periods beginning on or after 1 January 2018).
- IFRS 16 Leases (mandatory for periods beginning on or after 1 January 2019).

2.3 Going concern

The financial statements have been assessed in conjunction with its immediate parent, European Rail Finance Holdings Limited, as its viability is dependent upon the ability of the Group companies to provide funds for the Company when required. As a result and having made appropriate enquiries, reviewed forecasts and having the commitment of support from the parent, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and on this basis the accounts have been prepared on a going concern basis.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

3 Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all years presented in these financial statements.

3.1 Leases

A lease is an arrangement whereby the lessor conveys to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the Income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's policy on borrowing costs. Contingent rentals are recognised as expenses in the year in which they are incurred.

Finance charges in respect of assets acquired under finance leases are charged to the Income statement over the year of the lease so as to give a constant periodic rate of finance cost. The capital element of the obligation to make future payments is included in liabilities.

Operating lease income is recognised on a straight line basis over the lease term.

3.2 Finance expense

Finance expense for all interest bearing financial instruments is recognised in 'Finance expense' in the Income statement using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant year.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Other borrowing costs are recognised in profit and loss in the year in which they are incurred.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.3 Income tax

Income tax comprises current and deferred tax and is recognised in the Income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the year and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the relevant entity intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the year.

3.4 Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting year. Any resulting exchange differences are included in the Income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

3.5 Property, plant and equipment

In the normal course of business rolling stock and other railway assets are recognised at cost and are depreciated on a straight-line basis over their useful economic lives to their estimated residual value. The useful economic life depends on the class of vehicle and type of asset and ranges from 20 to 40 years. Useful economic lives and residual values are reviewed at least annually.

In relation to the construction of rolling stock and other railway assets:

i) Progress payments paid to third parties are capitalised.

ii) Interest costs are capitalised to the extent that they are incurred in relation to borrowings, which are attributable to the construction of rolling stock and other railway assets and accrue in respect of the year of construction.

iii) Assets in the course of construction are not depreciated until they are available for use.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

At each reporting date, the Company reviews the carrying value of its rolling stock and railway assets to determine whether there is any indication that the assets have suffered an impairment loss. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The impaired loss is recognised immediately in the Income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised immediately in the Income statement.

3.6 Subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. The Company's investments in subsidiaries are stated at cost less any impairment losses. Any impairment loss recognised in prior years shall be reversed through the Income statement if, and only if, there has been a change in the estimates used to determine the investment in the subsidiary's recoverable amount since the last impairment loss was recognised.

3.7 Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL); 'held to maturity investments'; 'available for sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company holds the following classes of financial assets.

3.7.1 Loans and receivables

Loans and receivables include receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

3.7.2 Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other' financial liabilities.

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. The Company derecognises the financial liability when the obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

3.7.4 Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the Income statement. The carrying amount of impaired loans on the Statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

Financial assets are written off to the extent that there is no realistic prospect of recovery.

3.7.5 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.7.6 Derivatives and hedge accounting

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate fluctuations.

Derivative financial instruments are recognised at fair value. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Where derivatives do not qualify for hedge accounting the gain or loss on remeasurement to fair value is recognised immediately in the Income statement. However, where derivatives qualify for hedge accounting, the Company recognises the effective part of any gain or loss on the derivative financial instrument in Other comprehensive income, which is accounted for in the Hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income statement.

When the hedging relationship ends the hedging gain or loss recognised in Other comprehensive income is reclassified to the Income statement when the hedged item is recognised in the Income statement. When the hedged item relates to a capital expenditure transaction and the hedging relationship ends, the hedging gain or loss recognised in Other comprehensive income is amortised to Property, plant and equipment over the life of the hedged item.

Movements in deferred tax relating to the effective portion of changes in fair value of derivatives qualifying for hedge accounting are recognised in Other comprehensive income and accumulated in the Hedging reserve.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.7 Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting year during which the change occurred.

3.8 Statement of cash flows

The Statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in intercompany transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

3.9 Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the year in which they are declared.

Notes to the annual financial statements (continued)

for the year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.10 Maintenance income and costs

Following the industry standard and as acknowledged by legislation, heavy maintenance services are provided to successive lessees based on a whole-of-life model. Amounts received under these arrangements that relate to maintenance services to be performed in future years are included in deferred revenue. When maintenance services are performed, the cost of which will be recovered under these arrangements only in future years, the future recoverable amount is included in prepayments. Revenue from maintenance services rendered is recognised when the services are provided. In all cases maintenance service costs are expensed as incurred.

3.11 Use of judgements, estimates and assumptions

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Notwithstanding this the Company is required to make estimations regarding future leasing opportunities, future cash flows and appropriate discount rates to test that the carrying value of its portfolio of rolling stock assets does not exceed its economic value. As with all long term estimates, these may depend upon the outcome of future events and may need to be revised as circumstances change.

No significant judgements have been required in the process of applying the Company's accounting policies.

4 Operating lease income

	2017 £'000	2016 £'000
Rentals receivable from third parties	**373,582**	363,553

5 Cost of sales

	2017 £'000	2016 £'000
Depreciation	**(130,265)**	(120,821)
Maintenance cost	**(80,525)**	(71,970)
	(210,790)	(192,791)

6 Finance expense

	2017 £'000	2016 £'000
Interest payable to Eversholt Rail Limited	**(83,128)**	(52,528)
Interest expense on finance lease with European Rail Finance Limited	**-**	(25,921)
Finance charges payable to Eversholt Funding plc	**(7,647)**	(1,752)
Other interest	**(2,062)**	(11,903)
	(92,837)	(92,104)

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

7 Administrative expense

Administrative expense includes the following:

	2017 £'000	2016 £'000
Management fees payable to Eversholt Rail Limited	**(17,473)**	(18,740)
Management fees refunded/(payable) to Eversholt Investment Limited	**60**	(60)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**(50)**	(37)

The Company has no employees and hence no staff costs (2016: nil).

8 Directors' emoluments

Three of the Directors have been remunerated by Eversholt Rail Limited.

Two of the Directors have been remunerated by the Company at a cost of £128,622 (2016: £128,631).

The other five Directors are employees of the parent companies they represent and are remunerated by them in their operational country. No specific charge has been made to the Company in this regard.

9 Income tax charge

	2017 £'000	2016 £'000
Current tax		
UK Corporation tax on current year profit	**3,851**	1,653
Adjustment in respect of prior year	**(103)**	11,368
	3,748	13,021
Deferred tax		
Origination and reversal of temporary differences	**(13,758)**	(13,621)
Change in tax rate	**2,100**	4,270
Adjustment in respect of prior year	**659**	(9,471)
	(10,999)	(18,822)
Income tax charge	**(7,251)**	(5,801)

The following table reconciles the tax charge which would apply if all profits had been taxed at the UK corporation tax rate:

	2017 £'000	2016 £'000
Profit before tax	**71,463**	59,842
Taxation at corporation tax rate of 19.25% (2016: 20%)	**(13,757)**	(11,968)
Change in tax rate	**2,100**	4,270
Adjustment in respect of prior year	**556**	1,897
Non-taxable income	**3,850**	-
Income tax charge	**(7,251)**	(5,801)

In addition to the amounts charged to the Income statement, the aggregate amount of current and deferred tax, relating to components of the comprehensive income, resulted in £1,197,000 loss recognised in total comprehensive income (2016: £4,192,000).

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

9 Income tax charge (continued)

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. As a result of these reductions the Company's future current tax charge will reduce accordingly.

The deferred tax at 31 December 2017 has been calculated based on the rate of 17% substantively enacted at the reporting date. The effect of the change in the rate to 17% is included in the financial statements.

10 Dividends

The Company received £20,000,000 dividend income (2016: £nil).

For the year ended 31 December 2017 dividends of £100,000,000 has been paid to European Rail Finance Holdings Limited (2016: £36,000,000).

11 Property, plant and equipment

	Rolling stock and other railway assets £'000
Cost	
Balance at 1 January 2016	2,122,100
Additions	272,149
Balance at 31 December 2016	**2,394,249**
Additions	**248,556**
Balance at 31 December 2017	**2,642,805**
Depreciation	
Balance at 1 January 2016	84,230
Charge for the year	120,821
Balance at 31 December 2016	**205,051**
Charge for the year	**130,265**
Balance at 31 December 2017	**335,316**
Carrying value at 31 December 2017	**2,307,489**
Carrying value at 31 December 2016	2,189,198

The cost of tangible fixed assets at 31 December 2017 includes capitalised interest of £25,718,165 (2016: £13,023,770). The capitalisation rate used is the rate of interest attaching to the Company's borrowings attributable to the acquisition of rolling stock.

The depreciation charge is included within the cost of sales in the Income statement.

All fixed assets are subject to operating lease arrangements.

12 Cash and cash equivalents

	2017 £'000	**2016 £'000**
Bank accounts	**4,995**	-

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

13 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	**10,996**	1,660

14 Investments in subsidiaries

	2017 £'000	2016 £'000
Cost	**149,322**	34,348

On 31 May 2017 the Company purchased shares in Eversholt Rail Limited, Eversholt Depot Finance Limited and Eversholt Rail (365) Limited from its subsidiary, Eversholt Rail Holdings (UK) Limited, for a total consideration of £114,974,151.

The subsidiary undertakings of the Company at the end of the year were:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2017	Ownership Percentage 2016
Eversholt Rail Holdings (UK) Limited	Ordinary Shares	England***	Investment	100	100
Eversholt Rail Limited (formerly trading as Eversholt Rail (UK) Limited)*	Ordinary Shares	England***	Management services	100	100
Eversholt Depot Finance Limited (formerly trading as Eversholt Depot Finance (UK) Limited)*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail (365) Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail (380) Limited**	Ordinary Shares	England***	Dormant	100	100

** Indirect subsidiaries in 2016*
*** Indirect subsidiaries*
**** Registered office: 210 Pentonville Road, London, N1 9JY*

15 Derivative financial instruments

The fair values together with the carrying amounts of the derivative financial instruments are as follows:

	Carrying amount 2017 £'000	Fair value 2017 £'000	Carrying amount 2016 £'000	Fair value 2016 £'000
Non-current assets				
FX forward contracts – hedge accounted	**27,908**	**27,908**	20,416	20,416

In 2016 the Company entered into FX forward deals to hedge cash flow risk associated with the fluctuations in foreign exchange rates on payments for the purchase of new rolling stock.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

15 Derivative financial instruments (continued)

Movement of fair value of Derivative financial instruments

	Outstanding FX contracts £'000	Terminated FX contracts £'000	Total £'000
Balance at 1 January 2017	**20,416**	**-**	**20,416**
Unrealised loss through the Income statement	**(20)**	**-**	**(20)**
Realised gain through the Income statement	**-**	**-**	**-**
Unrealised gain through Other comprehensive income	**7,512**	**-**	**7,512**
Balance at 31 December 2017	**27,908**	**-**	**27,908**
Balance at 1 January 2016	-	-	-
Unrealised gain through the Income statement	1	-	1
Realised gain through the Income statement	-	76	76
Unrealised gain through Other comprehensive income	20,415	5,609	26,024
Cash received on termination	-	(5,685)	(5,685)
Balance at 31 December 2016	20,416	-	20,416

Movement in Hedging reserve

	Outstanding FX contracts £'000	Terminated FX contracts £'000	Total £'000
Balance at 1 January 2017	**(16,944)**	**(3,569)**	**20,513**
Unrealised gain through Other comprehensive income	**(7,512)**	**-**	**(7,512)**
Release to property, plant & equipment	**-**	**473**	**473**
Income tax on Other comprehensive income	**1,277**	**(80)**	**1,197**
Balance at 31 December 2017	**(23,179)**	**(3,176)**	**(26,355)**
Balance at 1 January 2016	-	-	-
Unrealised gain through Other comprehensive income	(20,415)	(5,609)	(26,024)
Release to property, plant & equipment	-	1,319	1,319
Income tax on Other comprehensive income	3,471	721	4,192
Balance at 31 December 2016	(16,944)	(3,569)	(20,513)

As at 31 December 2017, the hedges were deemed to be highly effective and the fair value asset of the foreign exchange forward contracts was £27,908,113 (31 December 2016: £20,416,323). The hedging reserve contains balances relating to outstanding and terminated derivative contracts.

Cumulative unrealised losses relating to contracts terminated during the year ended 31 December 2016 remain in other comprehensive income. During the year a loss of £473,475 (2016: £1,319,405) was realised to property, plant and equipment additions; the residual gain recognised in other comprehensive income will amortise to property, plant and equipment in line with the payment profile for the hedged capital expenditure.

16 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**5,530**	7,624
Rentals received in advance	**10,690**	13,108
Accruals	**15,136**	8,856
Other payables	**1,082**	7,345
	32,438	36,933

Notes to the annual financial statements (continued)

for the year ended 31 December 2017

17 Deferred Revenue

Amounts received in relation to future maintenance costs are deferred and released when these costs are incurred.

	2017 £'000	2016 £'000
Current	**3,142**	3,290
Non-current	**122,361**	111,800

The deferred revenue arises in respect of the Company's obligations in respect of maintenance contracts in certain leases.

18 Borrowings

	2017 £'000	2016 £'000
Current		
Eversholt Rail Limited (term loan)	**54,588**	52,243
Non-current		
Eversholt Rail Limited (term loan)	**1,438,830**	1,493,418
Eversholt Rail Limited (working capital loan)	**706,978**	384,153
Bank loan	**5,786**	5,700
	2,151,594	1,883,271

The term loan with Eversholt Rail Limited enabled the Company to settle in full, on 1 April 2016, its rental obligations under a finance lease with European Rail Finance Limited. The loan is repayable on or before 1 April 2036. Interest is charged at a fixed rate plus margin.

The intragroup working capital loan with Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2022. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin (2016: Group's senior debt, plus margin).

The bank loan from HSBC Bank plc is classified as non-current as it is repayable in 2021. Interest on the loan is payable six-monthly at a floating rate of GBP LIBOR (2016: GBP LIBOR).

All assets have been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in the use of disposal proceeds. The assets are secured by a fixed and floating charge held by the financial institutions that have lent to Eversholt Funding plc.

Maturity of borrowings

The maturity profile of the carrying amount of the Company's non-current borrowings at 31 December 2017 was as follows:

	2017 £'000	2016 £'000
In more than one year but not more than two years	**57,039**	54,588
In more than two years but not more than five years	**899,526**	568,590
In more than five years	**1,195,029**	1,260,093
	2,151,594	1,883,271

19 Deferred tax

	2017 £'000	2016 £'000
Balance at beginning of the year	**62,632**	39,619
Adjustment in respect of prior years	**(659)**	9,471
Accelerated capital allowances (temporary differences)	**13,757**	13,620
Change in tax rate	**(2,100)**	(4,270)
Income tax on other comprehensive income	**1,197**	4,192
Balance at end of the year	**74,827**	62,632

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

20 Share capital

	2017 £'000	2016 £'000
Authorised, allotted, called up and fully paid		
50,000,002 Ordinary shares of £1 each	**50,000**	50,000

The holders of ordinary shares are entitled to attend and vote at annual general meetings and receive dividends as and when declared.

21 Capital commitments

	2017 £'000	2016 £'000
In respect of capital expenditure	**746,770**	944,227

The above represents all capital commitments.

22 Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk. In addition, the Company is exposed to residual value risk from its ownership of rail assets.

Sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.11.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Residual value risk

One of the key drivers of the Company's ability to generate the desired return from its assets is the management of residual value risk. This risk arises from operating lease transactions to the extent that the values recovered from re-letting assets at the end of the current lease terms (the "residual values") differ from those projected at the inception of the leases. The Company regularly monitors residual value exposure by reviewing the recoverability of the residual value projected at lease inception. This entails considering the potential to re-let at the end of their current lease terms. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure that the Company is able to continue as a going concern. Consideration is given to the availability, cost and risks associated with each class of capital.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company is not subject to any externally imposed capital requirements.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. It arises principally from lease receivables, other lease obligations and derivative contracts.

The Company manages credit risk by way of established risk management processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties.

No lease receivables are past their due date. All outstanding balances have been received subsequent to year end. The Company's principal exposure to credit risk at 31 December 2017 amounts to the balance of trade receivables as disclosed in note 13 and derivative financial instruments assets disclosed in note 15.

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

22 Risk Management

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company borrows funds from another group entity to meet any shortfall. Conversely, the Company lends any surplus funds to other group entities.

The Company's assets, net of deferred tax, are funded principally by borrowings from another group entity.

Undiscounted cash flows in respect of financial assets and financial liabilities are analysed below by their contractual due date:

	Carrying value £'000	Total undiscounted cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2017						
Financial assets						
Fair value through profit or loss						
- Derivative financial instruments	**27,908**	**7,288**	**-**	**1,649**	**5,639**	**-**
Loans and receivables						
- Trade and other receivables	**10,996**	**10,996**	**-**	**10,996**	**-**	**-**
Cash and cash equivalents	**4,995**	**4,995**	**4,995**	**-**	**-**	**-**
	43,899	**23,279**	**4,995**	**12,645**	**5,639**	**-**
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	**32,438**	**32,438**	**-**	**32,438**	**-**	**-**
- Intercompany term lending	**1,493,418**	**1,493,418**	**-**	**54,588**	**243,801**	**1,195,029**
- Intercompany working capital loan	**706,978**	**706,978**	**-**	**-**	**706,978**	**-**
- Bank loan	**5,786**	**5,786**	**-**	**-**	**5,786**	**-**
	2,238,620	**2,238,620**	**-**	**87,026**	**956,565**	**1,195,029**
Total financial instruments	**(2,194,721)**	**(2,215,341)**	**4,995**	**(74,381)**	**(950,926)**	**(1,195,029)**
31 December 2016						
Financial assets						
Fair value through profit or loss						
- Derivative financial instruments	20,416	14,348	-	1,562	12,786	-
Loans and receivables						
- Trade and other receivables	1,660	1,660	-	1,660	-	-
	22,076	16,008	-	3,222	12,786	-
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	36,933	36,933	-	36,933	-	-
- Intercompany term lending	1,545,661	1,545,661	-	52,243	233,325	1,260,093
- Intercompany working capital loan	384,153	384,153	-	-	384,153	-
- Bank loan	5,700	5,700	-	-	5,700	-
	1,972,447	1,972,447	-	89,176	623,178	1,260,093
Total financial instruments	(1,950,371)	(1,956,439)	-	(85,954)	(610,392)	(1,260,093)

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

22 Risk Management (continued)

Liquidity risk management (continued)

Undiscounted cash flows in respect of the intercompany loans with Eversholt Rail Limited include the principal amount of working capital loan only, due to the uncertainty of working capital movements and of interest estimation. Interest on working capital loans is settled as part of working capital cash movements and not accrued.

Market risk management

Foreign currency risk

The Company hedges against foreign exchange risk on its financial assets or financial liabilities.

Interest rate risk

The Company has exposure to fluctuations in interest rates. This exposure is managed at a Group level through the use of interest rate swaps. The cash benefit derived from the use of swaps is taken into account in determining the interest charged on loans to and from other group entities.

Interest rate Sensitivity Analysis

The impact of a 50 basis points increase in GBP LIBOR would have resulted in an increase in intercompany working capital interest expense of £730,101. The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument.

23 Financial Instruments

The fair values together with the carrying amounts of the financial assets and financial liabilities are as follows:

31 December 2017	Note	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	*15*	27,908	-	27,908	-
Loans and receivables					
- Trade and other receivables	*13*	10,996			
Cash and cash equivalents		4,995			
Total Financial assets		43,899			
Financial liabilities					
Non-derivative instruments – amortised cost					
- Trade and other payables	*16*	32,438			
- Intercompany term lending	*18*	1,493,418			
- Intercompany working capital loan	*18*	706,978			
- Bank loan	*18*	5,786			
Total Financial liabilities		2,238,620			
Total Financial instruments		(2,194,721)			

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

23 Financial Instruments (continued)

31 December 2016	Note	Carrying amount £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	*15*	20,416	-	20,416	-
Loans and receivables					
- Trade and other receivables	*13*	1,660			
Total Financial assets		22,076			
Financial liabilities					
Non-derivative instruments – amortised cost					
- Trade and other payables	*16*	36,933			
- Intercompany term lending	*18*	1,545,661			
- Intercompany working capital loan	*18*	384,153			
- Bank loan	*18*	5,700			
Total Financial liabilities		1,972,447			
Total Financial instruments		(1,950,371)			

There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2017 (2016: nil).

24 Operating lease arrangements

The Company as lessor

The Company has contracts with lessees in relation to rolling stock. At the reporting date, the outstanding commitments for future minimum lease receipts under operating leases are as follows:

	2017 £'000	**2016 £'000**
Within one year	**314,164**	375,828
2-5 years	**486,632**	704,914
Over 5 years	**135,915**	198,417
	936,711	1,279,159
Aggregate operating lease rentals receivable in the year	**373,582**	363,553

Notes to the annual financial statements (continued)
for the year ended 31 December 2017

25 Related-party transactions

25.1 Identity of related parties

The Company has a related party relationship with its directors (refer page 4) and with its fellow group undertakings of the Eversholt UK Rails Group, namely:

- Eversholt UK Rails Limited
- Eversholt UK Rails (Holding) Limited
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- European Rail Finance Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- Eversholt Rail (380) Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited, incorporated in Cayman Islands. The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is CK Hutchison Holdings Limited. The immediate holding company is European Rail Finance Holdings Limited. The results of the Company are included in the Group financial statements of CK Hutchison Holdings Limited.

Copies of the Group financial statements of CK Hutchison Holdings Limited may be obtained from the following address (the registered office of the ultimate parent undertaking):
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

25.2 Transactions with related parties

Dividend income and dividends paid are more fully described in note 10. The Company has loans with related parties, more fully described in note 18. Interest on the loans is more fully described in note 6.

The Company paid management fees to Eversholt Rail Limited of £17,473,342 (2016: £18,739,670). The Company received a refund of management fees from Eversholt Investment Limited of £60,000 (2016: £60,000 paid).

The Company paid Eversholt Rail Limited £68,728,569 for the procurement of maintenance of the rolling stock (2016: £60,273,753).

The Company received no service charge income from Eversholt Investment Limited (2016: £110,000).

The Company paid a transactions fee to Eversholt Funding plc of £845,000 (2016: £1,388,100).

26 Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2017 (2016: nil).

27 Subsequent events

There are no subsequent events requiring disclosure in these financial statements.